

If this schedule is used, file it
with your Form 1040ME.
(See instructions on back)

Name(s) as shown on Form 1040ME

Your Social Security Number

Section 1. TAX ADDITIONS: (Nonresidents and part-year residents complete lines 1 and 2 only if amounts are applicable to income derived from Maine sources) **NOTE:** If you file Schedule NRH, multiply the joint amount of each Tax Addition and the Tax Credits on lines 5 and 6 by the percentage listed on Schedule NRH, Column B, line 7. Enter the results on the appropriate lines below.

- 1. **RETIREMENT PLAN DISTRIBUTIONS** - Enter the amount from federal Form 1040, line 40 relative to lump-sum distributions (federal form 4972) \$ _____ x .15 1 _____ , _____ , _____
- 2. **EARLY DISTRIBUTION FROM QUALIFIED RETIREMENT PLANS** - Enter the amount from federal Form 1040, line 54 relative to early distributions \$ _____ x .15 2 _____ , _____ , _____
- 3. **MAINE MINIMUM TAX** - Attach Worksheet (page 19) 3 _____ , _____ , _____
- 4. **TOTAL ADDITIONS** - Add lines 1, 2 and 3. Enter result here and on 1040ME, page 1, line 21 4 _____ , _____ , _____

Section 2. TAX CREDITS (see instructions for details):

- 5. **CREDIT FOR THE ELDERLY** - Enter amount from federal Form 1040, line 45 or 1040A, line 28 \$ _____ x .20 *5 _____ , _____ , _____
- 6. **CHILD CARE CREDIT** - Enter amount from federal form 1040, line 44 or 1040A, line 27 \$ _____ x .25 *6 _____ , _____ , _____
- 7. **EARNED INCOME TAX CREDIT** - Enter amount from federal form 1040, line 60a or 1040A, line 38a or form 1040EZ, line 8a \$ _____ x .05 *7 _____ , _____ , _____
- 8. **CREDIT FOR INCOME TAX PAID TO OTHER JURISDICTIONS** - From page 15, Schedule 3, line 12 8 _____ , _____ , _____
- 9. **MAINE SEED CAPITAL CREDIT** 9 _____ , _____ , _____
- 10. **EMPLOYER-ASSISTED DAY CARE CREDIT** 10 _____ , _____ , _____
- 11. **INVESTMENT TAX CREDIT**
(Business Name - _____) 11 _____ , _____ , _____
- 12. **FOREST MANAGEMENT PLANNING CREDIT** (Supporting documentation **MUST** be included) 12 _____ , _____ , _____
- 13. **EMPLOYER-PROVIDED LONG-TERM CARE CREDIT** 13 _____ , _____ , _____
- 14. **JOBS & INVESTMENT CREDIT** 14 _____ , _____ , _____
- 15. **SOLID WASTE REDUCTION INVESTMENT TAX CREDIT**
(Business Name - _____) 15 _____ , _____ , _____
- 16. **RESEARCH EXPENSE TAX CREDIT** 16 _____ , _____ , _____
- 17. **RESEARCH & DEVELOPMENT SUPER CREDIT** 17 _____ , _____ , _____
- 18. **HIGH TECHNOLOGY CREDIT** 18 _____ , _____ , _____
- 19. **MAINE MINIMUM TAX CREDIT** - From Worksheet (page 19, line 20) 19 _____ , _____ , _____
- 20. **CREDIT FOR DEPENDENT HEALTH BENEFITS PAID** 20 _____ , _____ , _____
- 21. **CLEAN FUEL CREDIT** 21 _____ , _____ , _____
- 22. **HISTORIC REHABILITATION CREDIT** 22 _____ , _____ , _____
- 23. **FAMILY DEVELOPMENT ACCOUNT CREDIT** 23 _____ , _____ , _____
- 24. **TOTAL CREDITS** - Add lines 5 through 23 24 _____ , _____ , _____
- 25. **MAINE INCOME TAX** - 1040ME, line 23 25 _____ , _____ , _____
- 26. **ALLOWABLE CREDITS** - Amount on line 24 or line 25, whichever is less. Enter here and on **FORM 1040ME, line 24** 26 _____ , _____ , _____

Sawmill Biomass Credit. See instructions on reverse side.

***NOTE:** Personal credits (lines 5, 6 and 7 above) taken by nonresident taxpayers must be prorated based on the ratio of Maine-source income to total income. This is done on Schedule NR, line 8 or Schedule NRH, line 10. However, Maine business credits may be claimed in their entirety, up to the Maine tax liability. Carryover provisions may apply.

SCHEDULE A – MAINE TAX ADJUSTMENTS**SECTION 1 - TAX ADDITIONS:**

Line 1. RETIREMENT PLAN DISTRIBUTIONS. If you choose to compute a separate federal tax on a lump-sum distribution from a retirement plan, you are subject to an additional Maine tax equal to 15% of the federal tax. **NOTE:** Distributions of Maine State Retirement System contributions previously taxed by Maine are not subject to this special tax.

Line 2. EARLY DISTRIBUTION FROM A QUALIFIED RETIREMENT PLAN. If you are subject to the special federal tax on an early distribution from a qualified retirement plan, you are subject to an additional Maine tax equal to 15% of the federal tax. **NOTE:** Distributions relative to Maine State Retirement System contributions previously taxed by Maine are not subject to this special tax.

Line 3. MAINE MINIMUM TAX. If you have a federal tentative minimum tax on federal Form 6251, you must complete and enclose the Maine Minimum Tax Worksheet on page 19.

SECTION 2 - TAX CREDITS:

Line 5. CREDIT FOR THE ELDERLY. If you qualify for the federal credit for the elderly or for the permanently and totally disabled, you may claim 20% of the federal credit as a Maine credit.

Line 6. CREDIT FOR CHILD AND DEPENDENT CARE. If you qualify for this federal credit, you may claim 25% of your federal credit as a Maine credit.

Line 7. EARNED INCOME TAX CREDIT (EIC). If you qualify for the federal earned income credit, you may claim 5% of the federal credit as a Maine credit.

Line 8. CREDIT FOR INCOME TAX PAID TO OTHER JURISDICTIONS. This credit is computed on Schedule 3, page 15. 36 M.R.S.A. § 5217-A.

Line 9. MAINE SEED CAPITAL CREDIT. The Finance Authority of Maine administers this program. The Authority issues a tax credit certificate after verifying the eligibility of the investor. The taxpayer must enclose a copy of the certificate with Schedule A, Form 1040ME when requesting a tax credit under this program. This credit is limited to 50% of the Maine income tax due. Carryover provisions apply. 36 M.R.S.A. § 5216-B.

Line 10. EMPLOYER-ASSISTED DAY CARE CREDIT. An employer may claim a credit for providing day care services or for paying day care expenses of employees. This credit is limited to the lowest of \$5,000, 20 percent of the cost incurred, or \$100 per child enrolled on a full-time basis. It cannot exceed the Maine income tax due. Carryover provisions apply. 36 M.R.S.A. § 5217. Enclose a schedule showing the computation of this credit.

Line 11. INVESTMENT TAX CREDIT. The credit applies to qualified investments made after December, 1988 and prior to April 2, 1996. Certain limitations apply. See 36 M.R.S.A. § 5219-E.

Line 12. FOREST MANAGEMENT PLANNING CREDIT. Once every 10 years an individual taxpayer is allowed a credit of up to \$200 for expenses incurred in developing a forest management and harvest plan for a parcel of forest land which is more than 10 acres. A professional forester who is not in the regular employ of the owner must prepare the plan. The taxpayer claiming the credit must attach to the income tax return a statement from the forester supporting the claim and a sworn statement that the credit has not been claimed in the previous 10 years. 36 M.R.S.A. § 5219-C.

Line 13. EMPLOYER-PROVIDED LONG-TERM CARE CREDIT. An employer may claim a limited credit for expenses incurred in providing long-term care policy coverage as part of an employee benefit package. To qualify, the insurance policy on which the premiums are paid must meet the federal definition for a long-term care insurance contract (IRC § 7702-B(b)). However, premiums paid on policies previously certified by the Bureau of Insurance as being eligible for this credit will continue to be eligible even if the policy does not meet the federal definition of a long-term care insurance contract. The credit is limited to the lowest of \$5,000, 20 percent of the cost incurred, or \$100 per employee covered. 36 M.R.S.A. § 5217-C. Enclose a schedule showing the computation of this credit.

Line 14. JOBS AND INVESTMENT TAX CREDIT. A taxpayer, other than a public utility, may claim a tax credit for qualified jobs and investment subject to limitations. Eligibility for the credit requires (1) the addition of \$5 million of IRC § 38 Property based on Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and (2) 100 new employees in Maine during the 24 months after placing the property in service. This credit is limited to \$500,000 or the Maine income tax due, whichever is less. Jobs created between August 1, 1998 and October 1, 2001 must be covered by qualified retirement and health insurance plans and wages must be greater than the average per capita income in the labor market area in which the employee is employed. Carryover provisions apply. 36 M.R.S.A. § 5215. Enclose a schedule showing the computation of this credit.

Line 15. SOLID WASTE REDUCTION INVESTMENT TAX CREDIT. Attach to the return a copy of the tax credit certificate(s) issued by the State Planning Office. The credit applies to equipment purchased and placed in service during the periods January 1, 1990 to June 30, 1991 or January 1, 1993 to June 30, 1995. 36 M.R.S.A. § 5219-D.

Line 16. RESEARCH EXPENSE TAX CREDIT. The credit equals 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous three tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term "qualified research" is defined in IRC § 41(d). The credit is limited to the tax liability of the taxpayer. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1996.** 36 M.R.S.A. § 5219-K.

Line 17. RESEARCH & DEVELOPMENT SUPER CREDIT. Businesses whose research expenses increased by more than 50% over the average research expenses incurred in the 3 years immediately preceding the effective date of the credit qualify for the credit. The credit is equal to the excess over 150% of the 3-year average. It is limited to 50% of the net income tax due after other credits and may not reduce the taxpayer's tax liability to less than the net tax liability in the preceding year after other credits. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1998.** 36 M.R.S.A. § 5219-L.

Line 18. HIGH-TECHNOLOGY CREDIT. Businesses primarily engaged in high-tech activities and that (a) lease, (b) purchase and use, or (c) purchase and lease computer equipment, electronic components and accessories, communications equipment or computer software placed in service in Maine and used in "high-technology activities" qualify. The credit is equal to the adjusted basis of eligible equipment for federal income tax purposes or the amount of lease payments made (by lessee) minus any lease payments received for the eligible equipment during the tax year. The lessor may claim the credit **only** if the lessee waives entitlement to the credit. The reimbursement period for the Business Equipment Tax Reimbursement must be reduced one year for each tax year the eligible equipment is included in the basis for the High-Technology Credit. Also, Maine taxable income must be increased by the amount of the investment credit base also claimed as a business expense for federal income tax purposes. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1998.** 36 M.R.S.A. § 5219-M.

Line 19. MAINE MINIMUM TAX CREDIT. Complete the worksheet on page 19. See 36 M.R.S.A. § 5203-A(5).

Line 20. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID. Employers that offer a qualified health benefit plan and that employ fewer than 5 low-income employees may qualify for a credit equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. A taxpayer that employs 5 or more low-income employees after qualifying for the credit may continue to qualify for the credit for another 2 years. The credit is limited to 50% of the income tax due. The credit is subject to additional restrictions. Enclose a schedule showing the computation of this credit. Carryover provisions apply. **The credit applies to tax years beginning on or after January 1, 1999.** 36 M.R.S.A. § 5219-O.

Line 21. CLEAN FUEL CREDIT. The credit equals 50% of expenditures made or incurred from January 1, 1999 to December 31, 2001 for construction, installation of or improvements to any filling station or charging station in Maine for the purpose of providing clean fuels to the general public for use in motor vehicles. From January 1, 2002 to December 31, 2005 the credit is 25% of these expenditures. Enclose a schedule showing the computation of this credit. The credit automatically expires January 1, 2006. 36 M.R.S.A. § 5219-P.

Line 22. HISTORIC REHABILITATION CREDIT. The credit is equal to the amount of the federal credit for rehabilitation of certified historic structures located in Maine. The credit is nonrefundable and is limited to \$100,000 annually per taxpayer. The credit is subject to the same recapture provisions as under the Internal Revenue Code. 36 M.R.S.A. § 5219-R.

Line 23. FAMILY DEVELOPMENT ACCOUNT CREDIT. This credit is available to contributors to family development matching fund accounts. The Finance Authority of Maine certifies the allowable credit for each contributor. A copy of the certificate must be attached to the return. The credit is nonrefundable and must be taken after all other credits. Amounts claimed may not be claimed as itemized deductions for Maine purposes. Other limitations apply. 36 M.R.S.A. § 5216-C.

Line 26. ALLOWABLE CREDITS. These credits are not refundable. The total credit claimed cannot exceed the Maine income tax otherwise due for the taxable year.

SAWMILL BIOMASS CREDIT. This credit is available to eligible taxpayers that (1) produce merchantable lumber or secondary wood products and (2) transport wood processing residue (bark and sawdust material) to qualifying facilities. A qualifying facility is a facility not affiliated with the taxpayer that uses the residue to generate electricity, industrial heat or steam; for landscaping mulch or soil amendment (but not for landfill); for composting of sewer sludge; to manufacture certain building products; or to convert to ethanol or other forms of fuel. The credit applies to deliveries made from July 1, 2000 to June 30, 2001. The credit is equal to an amount up to \$6 per ton (dependent on the number of miles the residue is transported) minus amounts received for the residue. To claim this credit, call 1 (207) 624-7894 and request the Sawmill Biomass Credit Application.